

# News from the Illinois Commerce Commission

Voice: Springfield. 217.782.5793 Chicago. 312.814.2850 FAX 217.524.0674 BBS 217.782.9233 <http://www.state.il.us>  
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Beth Bosch

## ICC APPROVES SETTLEMENT IN PEOPLES GAS PIPELINE SAFETY CASE COMPANY WILL PAY \$1 MILLION PENALTY

The Illinois Commerce Commission approved the terms of a settlement in a Peoples Gas citation case in which the company failed to conduct corrosion control monitoring and to act promptly to correct deficiencies that had been identified previously.

As a condition of the settlement, Peoples Gas will pay a \$1 million penalty and must bring the system into compliance with applicable federal and state pipeline safety regulations. Safety standards are designed to ensure protection of the physical condition of iron and steel pipelines, which may corrode over time due to chemical and electrochemical reactions. Cathodic protection reduces the corrosion rate of metal gas pipes and the gas system operator is responsible for ensuring that the protection devices are in place and working.

The company also will pay for and cooperate with a consultant to be hired by the Commission to conduct a comprehensive investigation of Peoples Gas' compliance with the Commission's pipeline safety regulations, including evaluation of record-keeping procedures, substantiation of pipeline safety inspection records and verification of recorded pipeline safety conditions.

ICC pipeline safety inspectors routinely inspect natural gas pipelines around the state and verify inspection records kept by gas utilities. In 2005, ICC inspectors visited 190 locations on Peoples Gas' system that require a reading every ten years to verify cathodic protection levels, and discovered that about one-half of the corrosion test points had inadequate levels of corrosion protection. ICC inspectors also visited more than 180 locations on Peoples Gas' system that require annual readings to verify cathodic protection levels and discovered that about one-third of the corrosion test points had inadequate levels of corrosion protection. The Commission initiated the citation proceeding against Peoples Gas in April 2006 as a way of determining whether the company had failed to comply with federal and state inspection requirements.

According to the terms of the settlement today, Peoples Gas acknowledged that it was not in compliance with federal and state pipeline safety regulations, and agreed to bring the utility into compliance with the Commission's regulations and to conform to prudent utility practices as generally understood in the industry.

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